

HOSPITALS AND MISSOURI'S ECONOMY

White paper submitted by the Missouri Hospital Association to the
Missouri Department of Economic Development
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Like many states, Missouri is experiencing significant economic challenges, and lawmakers are faced with difficult decisions in their efforts to balance the state's budget. All Missourians should focus on the strengths of the current economy, as well as prepare for new opportunities.

Missouri's hospitals clearly are a mainstay of the state's economy. In communities large and small, urban and rural, residents rely on hospitals for much more than medical care. During the extensive statewide job losses of the last year, hospital employment bucked the trend, adding new jobs. The trend shows every sign of continuing, with increasing demand for health care services making selected health care jobs some of the state's fastest-growing occupations.

ECONOMIC REALITIES

The National Center for Rural Health Works has researched the link between health care and economic viability. It found that one primary care physician working in a rural area generates \$1.2 million in annual revenue and creates 23 jobs. Conversely, the loss of one half-time doctor translates into a community loss of more than a half-million dollars and 14 jobs.¹

Missouri's 153 hospitals employ 114,000 full-time equivalent employees — 4.5 percent of Missouri's total employment. Every hospital job in Missouri supports two more. In 2008, Missouri hospitals' payroll and benefits totaled \$7.1 billion. When hospital payroll is multiplied² to project its aggregate effect on the economy, it has an additional economic benefit of \$5.8 billion — a total of \$12.9 billion for Missouri's hospital payroll and benefits alone.

Medical tourism in Missouri also has a significant impact on the state's economy because of the high quality of medical care and central location. In 2009, the state's hospitals admitted 85,000 patients from areas outside Missouri. And, non-Missouri residents visited Missouri hospitals' outpatient emergency departments and clinics over 500,000 times. The inbound visiting population generates a demand for services not just for health care but across many industries. The economic impact for the health care industry alone is significant. **Out-of-state residents accounted for 9.5 percent of Missouri hospital inpatient discharges in 2009, with \$3.3 billion dollars in charges³ (or \$1.265 billion when calculated at cost) generated.** The federal government payments brought into the state to treat non-residents of Missouri is significant. In 2009, Medicare patient charges for 150,000 plus non-Missourians totaled over 1.7 billion dollars (or \$625 million when calculated at cost). Medicaid patient charges for nearly 70,000 non-Missourians totaled over \$667 million. Other sources of payment provided over \$2.4 billion towards care for non-Missourians in Missouri hospitals. These individuals from neighboring states chose to make Missouri their destination for care because of the quality of our medical facilities, technology and health care professionals.

Researchers also have found a direct link between the availability of health care services and economic development. When companies are looking to locate their businesses in a community, a major consideration is access to quality health care.

Missouri hospitals already are part of the state's solution to its economic difficulties. In addition to the financial contributions they make, they invest in keeping people healthy and productive through community medical intervention services and clinics. They also set the standard for excellence as evidenced by three Missouri hospitals receiving the prestigious Malcolm Baldrige Award and numerous hospitals earning the Missouri Quality Award.

MISSOURI PROBLEM — Jobs

From December 2008 to December 2009, there were 62,600 fewer jobs in Missouri.⁴

Hospitals' Contribution to the Solution

In that same time period, Missouri hospitals added 1,100 new jobs. Hospitals have been one of the few employers in Missouri generating new jobs during the current economic downturn. They have been an important stabilizing force during this time of uncertainty. Meanwhile, the outlook for workers seeking health care jobs is bright. **Of the 20 occupations in Missouri with the most openings from 2008-2010, health care accounted for 37.3 percent.** By 2016, a 12.3 percent increase in the health care workforce is projected statewide.⁵ As the population ages, the need for health care services increases, and those services must be delivered by trained health care professionals.

In addition, hospitals contribute to the state's overall employment picture through their continual investments in buildings and equipment to keep pace with changes in technology and the provision of medical care. These investments benefit communities and often provide jobs in other sectors of the economy, such as the building trades. Especially because of the economic downturn, these investments had a significant positive effect on the economy. **Missouri hospitals invested \$1.4 billion in capital improvements in 2008.**

MISSOURI PROBLEM — Physician Shortages

Eighty percent of Missouri counties — many of them rural — don't have enough physicians. When combined with the aging population, there will be an extreme need for more primary care physicians, especially in rural areas.

Hospitals' Contribution to the Solution

Since 1998, Missouri hospitals, through the MHA Center for Education, have contributed \$500,000 a year to the Primary Care Resource Initiative for Missouri (PRIMO), which provides forgivable loans to primary care practitioners in underserved rural areas. The \$8.2 million that Missouri's hospitals have contributed has provided loans for the following.

- 97 medical residents
- 146 pre-medical students

- 17 nurses seeking master's degrees
- 231 medical students
- 12 dentists
- 70 nurses seeking bachelor's degrees

Individually, Missouri hospitals play a key role in recruiting new physicians to the state, especially in rural areas. Those physicians help strengthen the health care system in each community by contributing to its economic viability and medical service infrastructure.

MISSOURI PROBLEM — Education Capacity

Although significant job opportunities exist for current and future health care professionals, many schools lack the educational capacity to train more students. In 2009, 39,423 qualified students were turned away from the nation's nursing schools.⁶ In addition, many students simply cannot afford the cost of seeking additional education.

Hospitals' Contribution to the Solution

Understanding the need to address its own problems, Missouri's hospitals have proactively addressed the shortages of health care professionals — both in building awareness and outreach programs to encourage individuals to pursue health careers and in providing funding for students and educational programs. These activities have been accomplished without government-sponsored incentives.

Through funds provided by Missouri's hospitals to the MHA Center for Education, the following direct contributions to schools and students have been made since 2001.

- \$4.5 million to students seeking degrees or certifications as health care practitioners or health care faculty
- \$1.5 million to educational institutions to expand their capacity to train more practitioners

In addition, Missouri's hospitals individually invest millions of dollars annually to provide clinical teaching opportunities, scholarships, tuition reimbursement and other training opportunities to health professions' students. **In 2007, their collective investment totaled \$203 million.**

MISSOURI PROBLEM — Uninsured

Increasing numbers of individuals are losing their employer-sponsored health insurance and cannot afford to purchase private health insurance. Recent figures released from the U.S. Census Bureau show **914,000 Missourians — about 15.3 percent of the state's population — lacked health insurance in 2009.** That's an increase of 175,000 since 2008.

Hospitals' Contribution to the Solution

Missouri's hospitals are committed to providing health services to all Missourians. In 2008, Missouri hospitals provided \$1.3 billion in unreimbursed care to patients.⁷

Hospitals already contribute significant funding to the Medicaid program through the Federal Reimbursement Allowance program. **In state fiscal year 2009, hospitals' provider tax provided \$847 million to the state — a major source of revenue in the state budget.** This allows state revenue to be used for other purposes.

LOOKING FORWARD

Working together and individually, Missouri's hospitals will continue to add value to the state's economy through significant contributions in its future economic, social and health care needs. It is estimated that nearly 500,000 Missourians will be newly insured under the health care reform law. To care for them will require significant hospital investment in capital and workforce. Opportunities currently being pursued include pending grant funding that potentially could bring tens of millions of dollars to Missouri, investments in health information technology and continuing contributions to building a robust health care workforce.

The economy of Missouri depends on Missouri hospitals.

¹ "The Economic Impact of a Rural Primary Care Physician and the Potential Health Dollars Lost to Out-Migrating Health Care Services," National Center for Rural Health Works, www.ruralhealthworks.org

² The "multiplier" is the factor by which spending in one sector of the economy affects other sectors. For example, in Missouri, each hospital job results in a total of 2.1314 jobs in the economy as a whole because hospital employees use their wages to purchase goods and services, which creates income and jobs for other businesses. The multiplier is 1.8270 for payroll and benefits and 2.3078 for hospital expenditures for other goods and services.

³ Data Sources: Hospital Industry Data Institute FFY 2009 patient discharge data.

⁴ Missouri Economic and Research Information Center, *Employment of Workers on Nonfarm Payrolls. Monthly Data Not Seasonally Adjusted*

⁵ Data Sources: MERIC Short-term Occupational Projections, MERIC Occupational Employment and Wage Survey, and U.S. Bureau of Labor Statistics

⁶ American Association of Colleges of Nursing

⁷ Includes \$501,872,525 in charity care and bad debt (net of federal payments of \$311,985,069 to offset the cost of the uninsured) and \$808,407,861 in unpaid costs of caring for Medicare and Medicaid patients. All dollars are reported at cost.